

EXHIBIT 7



INSPIRING CONFIDENCE

2006 ANNUAL REPORT

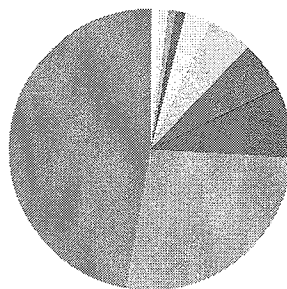


CUSTOMER SEGMENTS

Full-service restaurants
 Quickservice restaurants
 Hotels
 Food retail
 Schools
 Colleges and universities
 Laundries and textile rental
 Hospitals
 Nursing homes
 Other healthcare facilities
 Dairy farms and plants
 Food, beverage and brewery plants
 Pharmaceutical and cosmetic facilities
 Office buildings
 Shopping malls
 Retail facilities
 Movie theaters
 Recreational facilities
 Amusement parks
 Building service contractors
 Cruise lines
 Correctional facilities
 Government facilities
 Airlines
 Light manufacturing industries
 Vehicle wash and detailing

MARKETS SERVED

United States
 Europe/Middle East/Africa
 Asia Pacific
 Canada
 Latin America

BUSINESS MIX 2006
PERCENT OF TOTAL SALES**UNITED STATES 53%**

Institutional 27%
 Food & Beverage 8%
 Pest Elimination 6%
 Kay 5%
 GCS Service 3%
 Healthcare 1%
 Vehicle Care 1%
 Textile Care 1%
 Water Care Services 1%

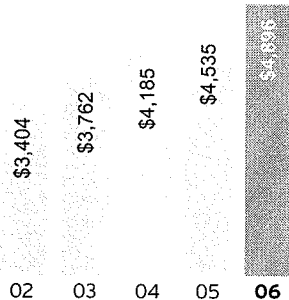
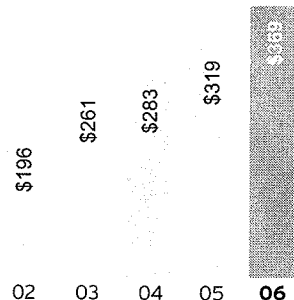
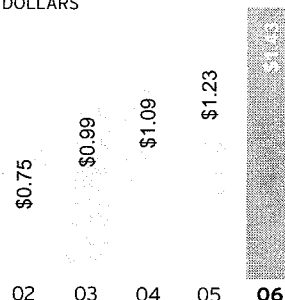
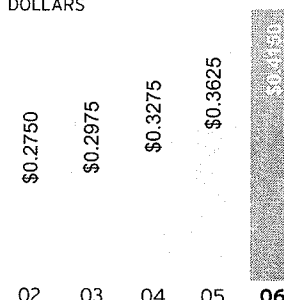
INTERNATIONAL 47%

Europe/Middle East/Africa 32%
 Asia Pacific 7%
 Latin America 4%
 Canada 3%
 Other 1%

SALES-AND-SERVICE ASSOCIATES

| DECEMBER 31 | 2004 | 2005 |
|---------------------------|---------------|---------------|
| Institutional | 3,150 | 3,245 |
| Kay | 325 | 350 |
| Pest Elimination | 1,725 | 1,830 |
| Healthcare | 70 | 80 |
| GCS Service | 470 | 470 |
| Textile Care | 75 | 75 |
| Food & Beverage | 450 | 425 |
| Water Care Services | 95 | 125 |
| Vehicle Care | 100 | 100 |
| Europe/Middle East/Africa | 3,915 | 4,150 |
| Asia Pacific | 960 | 995 |
| Canada | 355 | 375 |
| Latin America | 590 | 690 |
| TOTAL | 12,280 | 12,910 |

2006

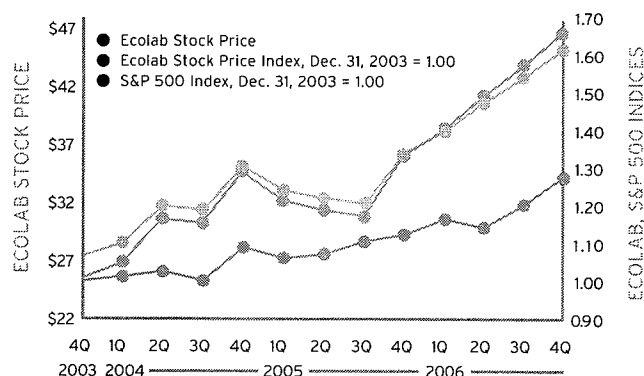
NET SALES
DOLLARS IN MILLIONS**NET INCOME**
DOLLARS IN MILLIONS**DILUTED NET INCOME PER SHARE**
DOLLARS**DIVIDENDS DECLARED PER SHARE**
DOLLARS**FINANCIAL HIGHLIGHTS**

THOUSANDS, EXCEPT PER SHARE

| | 2006 | 2005 | 2004 | PERCENT CHANGE 2006 | 2005 |
|--|-------------|-------------|-------------|------------------------|------|
| Net Sales | \$4,895,814 | \$4,534,832 | \$4,184,933 | 8% | 8% |
| Net Income | 368,615 | 319,481 | 282,693 | 15 | 13 |
| Percent of Sales | 7.5% | 7.0% | 6.8% | | |
| Diluted Net Income Per Common Share | 1.43 | 1.23 | 1.09 | 16 | 13 |
| Diluted Weighted-Average Common Shares Outstanding | 257,144 | 260,098 | 260,407 | (1) | - |
| Dividends Declared Per Common Share | 0.4180 | 0.3625 | 0.3275 | 14 | 11 |
| Cash Provided by Operating Activities | 627,564 | 590,136 | 570,908 | 6 | 3 |
| Capital Expenditures | 287,685 | 268,783 | 275,871 | 7 | (3) |
| Shareholders' Equity | 1,680,230 | 1,649,210 | 1,598,141 | 2 | 3 |
| Return on Beginning Equity | 22.4% | 20.0% | 21.4% | | |
| Total Debt | 1,066,036 | 746,301 | 701,577 | 43 | 6 |
| Total Debt to Capitalization | 36.8% | 31.2% | 30.5% | | |
| Total Assets | \$4,419,365 | \$3,796,628 | \$3,716,174 | 16% | 2% |

ECOLAB STOCK PERFORMANCE

| | 2004 | | 2005 | | 2006 | |
|---------|---------|---------|---------|---------|---------|---------|
| QUARTER | LOW | HIGH | LOW | HIGH | LOW | HIGH |
| First | \$26.12 | \$28.61 | \$31.20 | \$35.08 | \$33.64 | \$40.50 |
| Second | 27.95 | 31.77 | 30.68 | 34.23 | 37.00 | 41.20 |
| Third | 29.04 | 31.80 | 30.75 | 34.14 | 39.57 | 45.43 |
| Fourth | 31.32 | 35.59 | 30.93 | 37.15 | 43.81 | 46.40 |

ECOLAB STOCK PERFORMANCE COMPARISON

All financial information for all periods reflects the company's adoption of Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" in the fourth quarter of 2005. All prior periods have been restated.

COVER: Inspiring Confidence is all about expertise. And that's exactly what Ecolab provides to our customers around the globe. Our experts provide the most professional, timely service. The most creative, thoughtful problem-solving. The most thorough, knowledgeable research. In fact, there are more than 23,000 experts hard at work every day at Ecolab to help our customers run smoother, more efficient and more successful operations. For us, Inspiring Confidence isn't something to aspire to - it's a job requirement. And we wouldn't have it any other way.

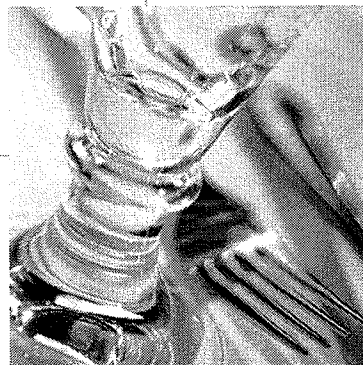
CONSOLIDATED BALANCE SHEET

DECEMBER 31 (THOUSANDS, EXCEPT PER SHARE)

| | 2006 | 2005 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 484,029 | \$ 104,378 |
| Short-term investments | | 125,063 |
| Accounts receivable, net | 867,541 | 743,520 |
| Inventories | 364,886 | 325,574 |
| Deferred income taxes | 86,870 | 65,880 |
| Other current assets | 50,231 | 57,251 |
| Total current assets | 1,853,557 | 1,421,666 |
| Property, plant and equipment, net | 951,569 | 868,053 |
| Goodwill | 1,035,929 | 937,019 |
| Other intangible assets, net | 223,787 | 202,936 |
| Other assets, net | 354,523 | 366,954 |
| Total assets | \$4,419,365 | \$3,796,628 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Short-term debt | \$ 508,978 | \$ 226,927 |
| Accounts payable | 330,858 | 277,635 |
| Compensation and benefits | 252,686 | 214,131 |
| Income taxes | 17,698 | 39,583 |
| Other current liabilities | 392,510 | 361,081 |
| Total current liabilities | 1,502,730 | 1,119,357 |
| Long-term debt | 557,058 | 519,374 |
| Postretirement health care and pension benefits | 420,245 | 302,048 |
| Other liabilities | 259,102 | 206,639 |
| Shareholders' equity (a) | 1,680,230 | 1,649,210 |
| Total liabilities and shareholders' equity | \$4,419,365 | \$3,796,628 |

(a) Common stock, 400,000 shares authorized, \$1.00 par value, 251,337 shares issued and outstanding at December 31, 2006, 254,143 shares issued and outstanding at December 31, 2005.

The accompanying notes are an integral part of the consolidated financial statements.



Clearly Ecolab

DESCRIPTION OF BUSINESS

Ecolab is the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products and services for the world's hospitality, foodservice, healthcare and industrial markets. Founded in 1923 and headquartered in St. Paul, Minn., Ecolab reaches customers in more than 160 countries across North America, Europe, Asia Pacific, Latin America, the Middle East and Africa, and employs more than 22,000 associates worldwide. Customers include hotels and restaurants; healthcare and educational facilities; quickservice (fast-food and convenience stores) units; grocery stores; commercial and institutional laundries; light industry; dairy plants and farms; food and beverage processors; pharmaceutical and cosmetic facilities; and the vehicle wash industry. Products and services are marketed by the industry's largest and best-trained direct sales-and-service force, numbering nearly 13,000 associates, who advise and assist customers in meeting a full range of cleaning, sanitation and service needs.

Ecolab common stock is traded on the New York Stock Exchange under the symbol ECL. Ecolab news releases and other selected investor information are available on the Internet at www.ecolab.com.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

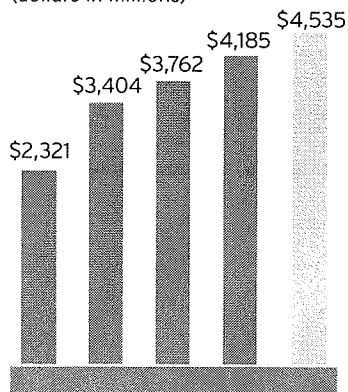
We refer readers to the company's disclosure, entitled "Forward-Looking Statements and Risk Factors," which is located on page 30 of this Annual Report.

FINANCIAL HIGHLIGHTS

| | 2005 | 2004 | 2003 | % Change 2005 vs. 2004 | % Change 2004 vs. 2003 |
|--|-------------|-------------|-------------|------------------------|------------------------|
| Net Sales | \$4,534,832 | \$4,184,933 | \$3,761,819 | 8% | 11% |
| Net Income | 319,481 | 282,693 | 260,590 | 13 | 8 |
| Percent of Sales | 7.0% | 6.8% | 6.9% | | |
| Diluted Net Income Per Common Share | 1.23 | 1.09 | 0.99 | 13 | 10 |
| Diluted Weighted-Average Common Shares Outstanding | 260,098 | 260,407 | 262,737 | - | (1) |
| Cash Dividends Declared Per Common Share | 0.3625 | 0.3275 | 0.2975 | 11 | 10 |
| Cash Provided by Operating Activities | 590,136 | 570,908 | 523,932 | 3 | 9 |
| Capital Expenditures | 268,783 | 275,871 | 212,035 | (3) | 30 |
| Shareholders' Equity | 1,649,210 | 1,598,141 | 1,321,081 | 3 | 21 |
| Return on Beginning Equity | 20.0% | 21.4% | 23.3% | | |
| Total Debt | 746,301 | 701,577 | 674,644 | 6 | 4 |
| Total Debt to Capitalization | 31.2% | 30.5% | 33.8% | | |
| Total Assets | \$3,796,628 | \$3,716,174 | \$3,228,918 | 2% | 15% |

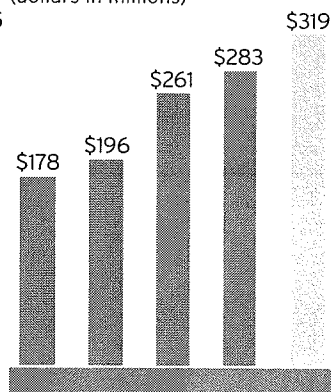
NET SALES

(dollars in millions)



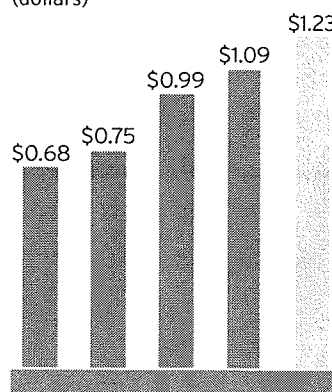
NET INCOME

(dollars in millions)



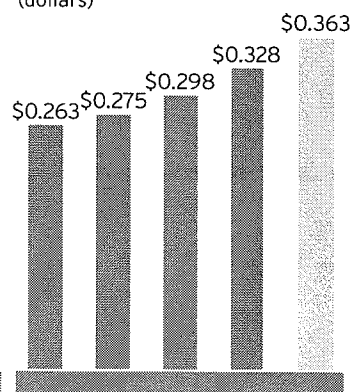
DILUTED NET INCOME PER SHARE

(dollars)



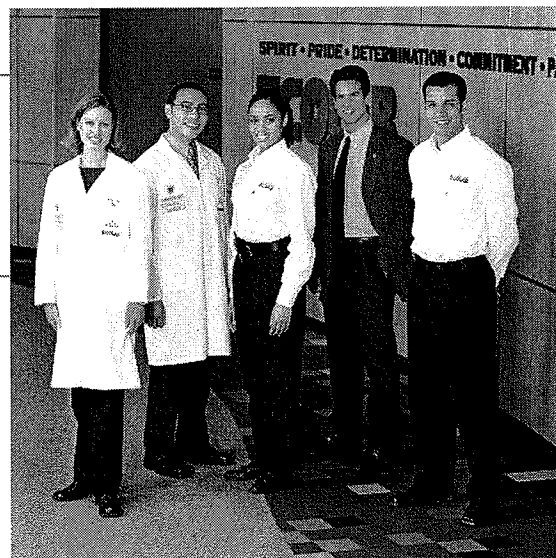
DIVIDENDS DECLARED PER SHARE

(dollars)



All financial information for all periods reflects the company's adoption of Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" in the fourth quarter of 2005. All prior periods have been restated.

Clearly Ecolab



Who is the trusted source for “clean” among restaurants, hotels, hospitals, food and beverage plants, laundries, retail facilities, educational institutions and more? Clearly Ecolab.

Our strong customer relationships have allowed Ecolab to grow from a single product offering in 1923 to the leading global provider of cleaning, sanitizing and service solutions. We serve customers in more than 160 countries through our direct sales-and-service force, distributors and export activities. In the United States, we have 10 complementary business units: Institutional, Kay, Pest Elimination, Food & Beverage, Professional Products, Healthcare, GCS Service, Textile Care, Vehicle Care and Water Care Services. By focusing on our Circle the Customer - Circle the Globe strategy, we continue to expand many of these services to markets throughout the world.

Ecolab's mission is clear. We spend every hour of every day working to provide outstanding results for Ecolab customers and shareholders everywhere.

SERVICES/PRODUCTS PROVIDED

INSTITUTIONAL

Products, programs and services for the foodservice, hospitality and healthcare industries, including warewashing, on-premise laundry, housekeeping, water filtration and conditioning, food safety products, specialty kitchen and laundry products, and pool and spa management.

KAY

Cleaning and sanitizing products, services and training programs for quickservice restaurants, food retail markets, movie theaters and convenience stores.

PEST ELIMINATION

Service and technology for the detection, identification, elimination and prevention of pests in commercial facilities, as well as food safety audit and training services.

FOOD & BEVERAGE

Cleaning and sanitizing products, equipment, systems and services for the agribusiness, beverage, brewery, pharmaceutical, dairy, meat, poultry and food processing industries.

GCS SERVICE

Service and parts for the repair and maintenance of commercial foodservice equipment.

PROFESSIONAL PRODUCTS

Janitorial cleaning and floor care products, systems and services for the retail, building services and industrial markets.

HEALTHCARE

Products and services including healthcare personnel hand wash, surgical scrubs, cleaning and disinfection products used in processing surgical instruments and hard surface disinfection.

TEXTILE CARE

Cleaning and sanitizing products, programs and services, including water recycling and energy solutions, and data management systems, for commercial laundries serving the work wear, linen and healthcare markets.

VEHICLE CARE

Vehicle cleaning, protection and detailing products and services for full-service tunnel, quick-service in-bay, self-service and detail car wash operations and corporate-owned transportation fleets.

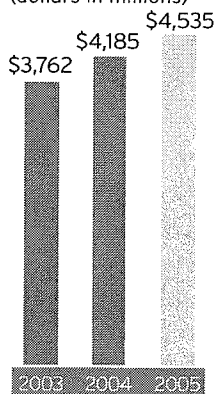
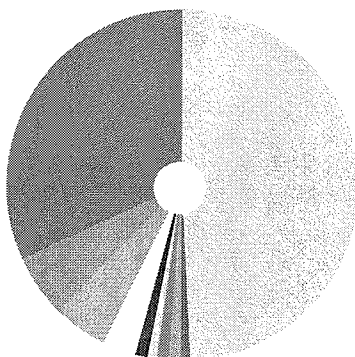
WATER CARE SERVICES

Industrial water treatment products and services for boilers, cooling water and waste treatment systems.

Note: All product names and certain information appearing in italic type in the text of this Annual Report are trademarks, brand names, service marks or copyrighted material of Ecolab Inc., Kay Chemical Company or Ecolab GmbH & Co. OHG.

NET SALES

(dollars in millions)

**ECOLAB BUSINESS MIX 2005**

| | |
|----------------------------|-------------------------------|
| United States 51% | International 49% |
| ● Institutional 25% | Europe/Middle East/Africa 34% |
| ● Food & Beverage 7% | Asia Pacific 8% |
| ● Pest Elimination 6% | Canada 3% |
| ● Kay 5% | Latin America 3% |
| ● GCS Service 3% | Other 1% |
| ● Professional Products 1% | |
| ● Healthcare 1% | |
| ● Vehicle Care 1% | |
| ● Textile Care 1% | |
| ● Water Care Services 1% | |

CUSTOMERS/MARKETS SERVED**CUSTOMER SEGMENTS**

Full-service restaurants
 Quickservice restaurants
 Hotels
 Food retail
 Schools
 Colleges and universities
 Laundries and textile rental
 Hospitals
 Nursing homes
 Other healthcare facilities
 Dairy farms and plants

Food, beverage and brewery plants
 Pharmaceutical and cosmetic facilities
 Office buildings
 Shopping malls
 Retail facilities
 Movie theaters
 Recreational facilities
 Amusement parks
 Building service contractors
 Cruise lines
 Correctional facilities

Government facilities
 Airlines
 Light manufacturing industries
 Vehicle wash and detailing

MARKETS

United States
 Europe/Middle East/Africa
 Asia Pacific
 Canada
 Latin America

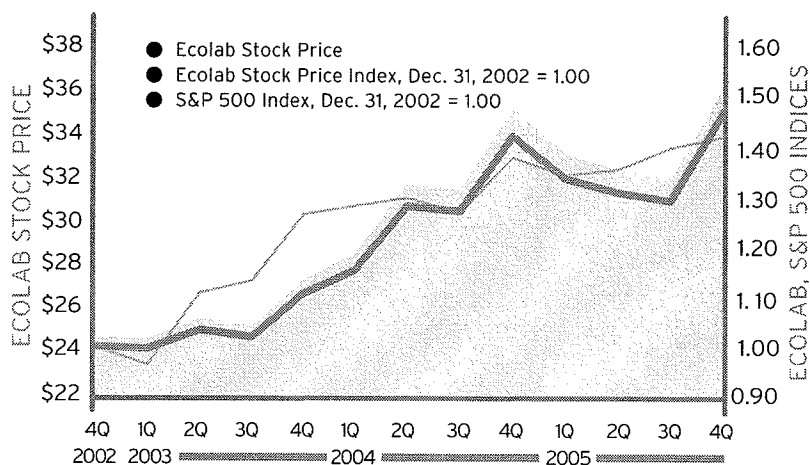
ECOLAB STOCK PERFORMANCE

| | 2003 | | 2004 | | 2005 | |
|---------|---------|---------|---------|---------|---------|---------|
| Quarter | Low | High | Low | High | Low | High |
| First | \$23.08 | \$26.00 | \$26.12 | \$28.61 | \$31.20 | \$35.08 |
| Second | 24.21 | 27.92 | 27.95 | 31.77 | 30.68 | 34.23 |
| Third | 23.78 | 26.80 | 29.04 | 31.80 | 30.75 | 34.14 |
| Fourth | 25.15 | 27.89 | 31.32 | 35.59 | 30.93 | 37.15 |

SALES-AND-SERVICE ASSOCIATES

| (December 31) | 2003 | 2004 | 2005 |
|-------------------------|--------|--------|--------|
| Institutional* | 3,190 | 3,055 | 3,155 |
| Kay | 275 | 325 | 350 |
| Pest Elimination | 1,645 | 1,725 | 1,830 |
| Professional Products** | 180 | 95 | 90 |
| Healthcare** | - | 70 | 80 |
| GCS Service | 535 | 470 | 470 |
| Textile Care | 80 | 75 | 75 |
| Food & Beverage | 405 | 450 | 425 |
| Water Care Services | 95 | 95 | 125 |
| Vehicle Care | 100 | 100 | 100 |
| Europe/Africa/ME | 3,285 | 3,915 | 4,150 |
| Asia Pacific | 1,015 | 960 | 995 |
| Canada | 340 | 355 | 375 |
| Latin America | 540 | 590 | 690 |
| Total | 11,685 | 12,280 | 12,910 |

*2004 decrease of 250 associates due to the sale of a grease management product line.
 **2004 reflects the separation of Healthcare from Professional Products.

ECOLAB STOCK PERFORMANCE COMPARISON

Consolidated Balance Sheet

| December 31 (thousands, except per share) | 2005 | 2004 | 2003 |
|--|--------------|--------------|--------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 104,378 | \$ 71,231 | \$ 85,626 |
| Short-term investments | 125,063 | | |
| Accounts receivable, net | 743,520 | 738,266 | 626,002 |
| Inventories | 325,574 | 338,603 | 309,959 |
| Deferred income taxes | 65,880 | 76,038 | 75,820 |
| Other current assets | 57,251 | 54,928 | 52,933 |
| Total current assets | 1,421,666 | 1,279,066 | 1,150,340 |
| Property, plant and equipment, net | 835,503 | 834,730 | 736,797 |
| Goodwill | 937,019 | 991,811 | 797,211 |
| Other intangible assets, net | 202,936 | 229,095 | 203,859 |
| Other assets, net | 399,504 | 381,472 | 340,711 |
| Total assets | \$ 3,796,628 | \$ 3,716,174 | \$ 3,228,918 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term debt | \$ 226,927 | \$ 56,132 | \$ 70,203 |
| Accounts payable | 277,635 | 269,561 | 212,287 |
| Compensation and benefits | 214,131 | 231,856 | 190,386 |
| Income taxes | 39,583 | 22,709 | 59,829 |
| Other current liabilities | 361,081 | 359,289 | 319,237 |
| Total current liabilities | 1,119,357 | 939,547 | 851,942 |
| Long-term debt | 519,374 | 645,445 | 604,441 |
| Postretirement health care and pension benefits | 302,048 | 270,930 | 249,906 |
| Other liabilities | 206,639 | 262,111 | 201,548 |
| Shareholders' equity (common stock, par value \$1.00 per share; shares outstanding: 2005 - 254,143; 2004 - 257,542 and 2003 - 257,417) | 1,649,210 | 1,598,141 | 1,321,081 |
| Total liabilities and shareholders' equity | \$ 3,796,628 | \$ 3,716,174 | \$ 3,228,918 |

The accompanying notes are an integral part of the consolidated financial statements.